

STATE OF DELAWARE

INVESTMENT COMMITTEE MEETING MINUTES

May 17, 2011

The Investment Committee met at Walker's Mill at 8:30 a.m. on May 17, 2011. Present were Committee members A. Dale Stratton, Philip S. Reese, Nancy Shevock, Clark Phippen and Mark Stalnecker. Also present were Robert D. Gooderham, Garry A. Musto, David Craik, Cynthia L. Collins, Wade Sallings, Jeffrey Hoover, Seth J. Yablonovitz and Linda M. Drew. In Mr. Saxon's Absence, Ms. Stratton chaired the meeting.

Minutes of the April 26, 2011 Investment Committee meeting were approved as presented.

Mr. Reese moved, Ms. Shevock seconded, and the Committee unanimously approved a motion to enter Executive Session at 8:35 a.m. to consider sensitive commercial information, proprietary business information, trade secrets and confidential financial information.

The Committee returned to public session at 11:55 a.m. by unanimous vote, on the motion of Mr. Reese, seconded by Mr. Phippen.

The Committee reviewed the presentation of Ms. Liston of Cheiron, DPERS' actuary, who reviewed actuarial experience data previously presented to the Board. Ms. Liston reviewed economic and demographic assumptions comparing the current assumptions to the Fund's experience over several time periods. Ms. Liston noted the trend among other state funds to reduce both the assumed inflation and return assumptions. Cheiron has recommended reductions in both the investment return assumption and the inflation assumption for FY 2013 due to changes in long term economic assumptions. Changes in demographic assumptions are recommended to better reflect DPERS' actual experience. Mr. Gooderham noted that DPERS current investment return assumption is higher than the currently estimated long term return for the Delaware benchmark.

Following discussion of the Cheiron data and expected return data presented by Ashford, the Committee unanimously voted to recommend to the Board adoption of the demographic changes recommended by Cheiron and changes in the inflation and long term return assumptions to 3.25% and 7.5%, respectively.

Mr. Stalnecker moved, Mr. Phippen seconded, and the Committee unanimously approved a motion to enter Executive Session at 12:00 noon to consider sensitive

commercial information, proprietary business information, trade secrets and confidential financial information.

The Committee returned to public session at 12:30 p.m. by unanimous vote, on the motion of Mr. Reese, seconded by Mr. Phippen.

There being no further business to come before the Committee, the meeting was, on the motion of Mr. Reese, seconded by Mr. Phippen and unanimously approved, adjourned at 12:30 p.m.

Respectfully submitted,

/S/Robert D. Gooderham

Robert D. Gooderham  
Executive Secretary

/S/A. Dale Stratton  
A. Dale Stratton, Acting Chairperson